

Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

ACDA-19 MBFR-04 SAJ-01 AGR-20 CIEP-02 COME-00 TRSE-00

STR-08 DRC-01 /162 W

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R 052115Z SEP 73

FM USMISSION NATO

TO SECSTATE WASHDC 1428

INFO AMEMBASSY MOSCOW

USMISSION GENEVA

C O N F I D E N T I A L USNATO 4156

E.O. 11652: GDS, 12/31/79

TAGS: ECON, NATO, UR

SUBJECT: SOVIET ECONOMY ON THE EVE OF CSCE

REF: NATO DOCUMENT C-M(73)66

GENEVA FOR USDEL CSCE.

1. NAC REVIEWED AND TOOK NOTE OF REFERENCED DOCUMENT ON SEPTEMBER 5. DOCUMENT WAS WELL RECEIVED BY ALL REPRESENTATIVES ON NAC WHO COMMENTED.

2. BELGIAN NOTED A LACK OF EMPHASIS ON TRENDS IN SOVIET ECONOMIC/INDUSTRIAL DEALINGS WITH WEST, AND THEIR POSSIBLE IMPACT ON FUTURE DEVELOPMENT OF SOVIET ECONOMY. HE ALSO OBSERVED THAT INFLATION HAD BECOME A PHENOMENON EVERYWHERE INCLUDING SOVIET UNION. SYG LUNS SAID BOTH QUESTIONS WOULD BE SUBJECTS OF FUTURE ECONOMIC COMMITTEE WORK.

3. DANISH REP AGREED WITH CONCLUSIONS IN PARA 12 OF DOCUMENT THAT SOVIETS SEEK IN EXPANDED WESTERN ECONOMIC DEALINGS THE POSSIBILITY OF MAINTAINING CREDITABLE GROWTH RATES WHILE AVOIDING BASIC DOMESTIC REFORMS. HOWEVER, HE DOUBTED SOVIETS CONFIDENTIAL

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COULD ATTAIN THESE ENDS THROUGH EXPANDED ECONOMIC CONTACT WITH WEST. HE THOUGHT PARA 7 OF DOCUMENT GAVE ERRONEOUS IMPRESSION THAT HEAVY SOVIET DEFENSE BURDEN RESPONSIBLE FOR IMBALANCES AND UNDERDEVELOPMENT, WHICH ARE IN REALITY BUILT INTO THE CENTRALLY

CONTROLLED SYSTEM.

4. UK REP OBJECTED TO STATEMENT IN PARA 7 THAT DEFENSE ABSORBS 12-13 PERCENT OF SOVIET RESOURCES SINCE THIS QUESTION STILL UNDER STUDY IN THE ECONOMIC COMMITTEE. SYG LUNS ACCEPTED THE POINT. HE REVIEWED SOME OF THE DIFFICULTIES IN ASSESSING WHAT THE SOVIET UNION REALLY SPENDS FOR DEFENSE, AS WELL AS THE GENERAL ASSUMPTION THAT THE SOVIET DEFENSE BURDEN IS FAR GREATER THAN THAT OF THE U.S.

5. U.S. REP (RUMSFELD) POINTED OUT THAT THE "NATO FORECASTS" REFERRED TO ON PAGE 2 OF THE DOCUMENT APPEAR ACTUALLY TO BE FORECASTS OF ACADEMICS ATTENDING A NATO SYMPOSIUM IN APRIL 1971. SYG LUNS ACCEPTED THE POINT.

6. FRENCH REP THOUGHT IT WOULD BE INTERESTING FOR ECONOMIC COMMITTEE TO DRAW UP A LIST OF AGREEMENTS IN THE ECONOMIC AND TECHNOLOGICAL SECTOR BETWEEN THE SOVIET UNION AND WESTERN COUNTRIES, AND TO SEE IF ANY USEFUL CONCLUSIONS COULD BE DRAWN. SYG LUNS SAID HE WOULD ASK ECONOMIC COMMITTEE TO DRAW UP SUCH A LIST.

RUMSFELD.

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 02 APR 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NATO04156
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS, 12/31/79
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730962/abqcebwy.tel
Line Count: 79
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: NATO DOCUMENT C-M(73)66 GENEVA FOR USDEL CSCE.
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2001 by garlanwa>; APPROVED <21-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SOVIET ECONOMY ON THE EVE OF CSCE
TAGS: ECON, NATO, UR
To: STATE INFO MOSCOW
GENEVA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005